



## **Saudi Awwal Bank (SAB)**

### **2023 Principles for Responsible Banking Report**

# Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

## Business model

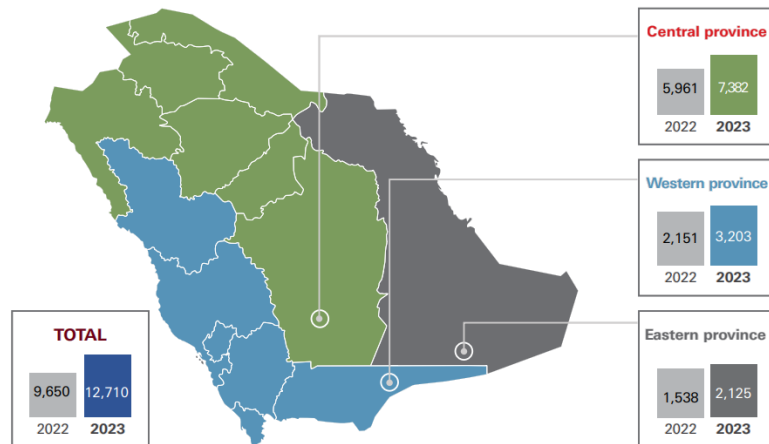
Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

### Response

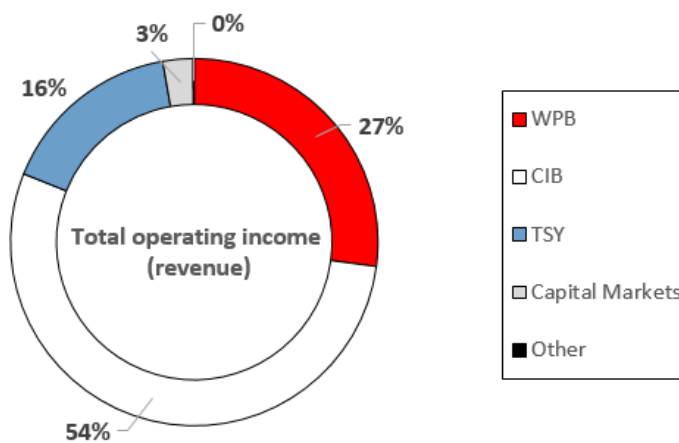
Saudi Awwal bank (SAB) is one of the largest banks in the Kingdom of Saudi Arabia , it roots can be traced back to 1926, making it the oldest and first – or 'awwal' – bank in the Kingdom , with total assets of SAR 356.6 bln as of 31 December 2023 . The bank headquarter is in Riyadh and through it's 105 branches across the Kingdom SAB have around 3,866 full-time employees serving about ~1.2M customers , catering to diverse segments, including retail, corporate, and private banking customers.

In the Kingdom, SAB also leads in various banking facilities, including trade finance, foreign exchange, wholesale banking, digital service innovation, and Environmental, Social and Governance (ESG) with all of our business lines , including Corporate & Institutional Banking (CIB), Wealth & Personal Banking (WPB), and Treasury (TSY).

- Total operating income in SAR by geography



- Reported results by business segment



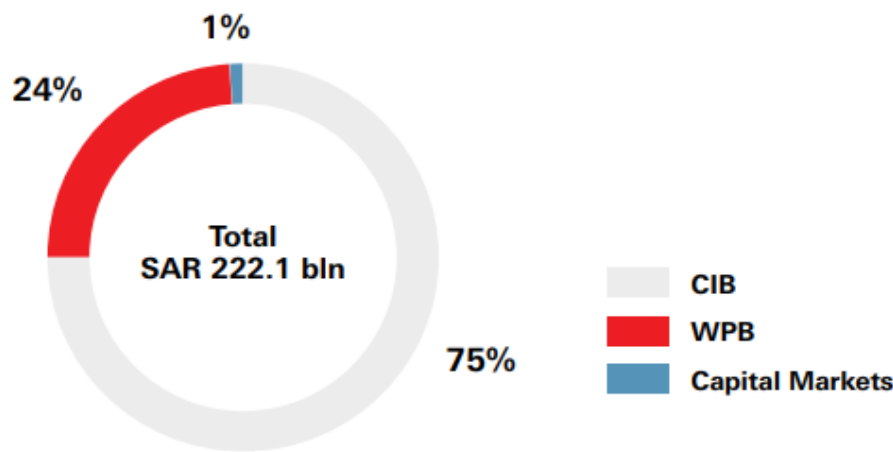
### Links and references

#### SAB Annual report 2023

URL:

<https://www.sab.com/content/dam/sabpws/files/reports-documents/en/category-reports/2023/financial-statements/SAB%20Annual%20Report%202023%20English.pdf.coredownload.inline.pdf>

- Gross customer lending



### Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes

No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

UN Guiding Principles on Business and Human Rights

International Labour Organization fundamental conventions

UN Global Compact

UN Declaration on the Rights of Indigenous Peoples

Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones:

Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----

None of the above

#### Response

At SAB, ESG is fundamental to how we think about our business. That is why our ESG Strategy, which we announced publicly in 2022, forms one of the pillars of our overarching Corporate Strategy 2026. It informs our business decisions by laying out our targets and what we want to achieve. We remain committed to these targets and have undertaken ambitious measures in 2023 to operationalise them. SAB mobilises finance to support an inclusive, diverse, and just transition towards a sustainable economy and society. This is achieved by centralising ESG principles within our organisation and operations, as well as harnessing our strategic alliance with HSBC

#### Our ESG goals :

##### Environmental:

Allocate financing toward a just and sustainable economy

- Support the transition of our customers to a more sustainable and diversified economy through our products and services
- Scale up sustainable financing and investments to SAR 34 billion by 2025, supporting the Kingdom's Vision 2030
- Measure the carbon footprint of our portfolio, and achieve Net Zero by 2060 or sooner, with an active focus on a just transition
- Align our operations and supply chain to ambitious science based targets and achieve key milestones by 2030, with an aim to achieve Net Zero in our operations by 2035
- Plant 1 million trees to offset 0.9 million tons of CO2

##### Social:

Play a leading role in shaping an inclusive and diverse society, positively impacting our stakeholders

- Further develop our digital capabilities to build sustainable financial capability amongst our customers and across the Kingdom
- Ambitiously pursue playing our part in closing the regional savings gap
- Continue to actively shape and advance the development of ESG and the sustainable finance market across the Kingdom
- Remove barriers for women and para-abled for engagement in financial services, including financing for female-led enterprises

#### Links and references

##### SAB ESG report 2023

URL:

<https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf>

- SAB's ESG Strategy – refer to page 64

**Governance:**

Commitment towards a high standard of governance, driving integrity and responsibility in all decision-making

- Deploy an ESG governance structure
- Embed ESG into all departments, functions, and staff members for every financial decision to be reviewed through an ESG lens
- Partner with an international body to build reporting and disclosure frameworks for enhanced transparency
- Roll out an updated corporate governance framework in line with international best practices

Vision 2030 seeks to preserve and enhance the Kingdom's natural environment and achieve Net Zero carbon emissions by 2060. SAB is aligned to this vision and has committed to achieving Net Zero within our operations by 2060, with a near-term milestone to achieve Net Zero emission in business operations by 2035. To achieve these goals, we are committing to deploy SAR 34 billion in capital towards sustainable finance and investments across our retail and corporate businesses. We also aim to understand our clients' transition journey and use these insights to provide the support they require to succeed.

**United Nations Global Compact**

In 2023, SAB was the first bank in the Kingdom to become a signatory to the United Nations Global Compact (UNGC) Saudi Chapter. The UNGC provides a robust framework for businesses to align their activities with ten principles in the following areas: Human rights - Labour - Environment - Anti-corruption.

# Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

## 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>1</sup> and fulfil the following requirements/elements (a-d)<sup>2</sup>:

**a) Scope:** What is the scope of your bank’s impact analysis? Please describe which parts of the bank’s core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response	Links and references
<p>SAB has utilized the portfolio impact analysis tools provided by the UNEPFI's Context module , Consumer Banking Identification module , Institutional Banking Identification module to carry out an analysis of its activities portfolio including Wealth and Personal Banking (WPB) (i.e. Consumer Banking ) as well as on its Corporate and Institutional Banking (CIB) (i.e. Corporate Banking). The main geography where SAB operates is Kingdom of Saudi Arabia.</p> <p>The impact analysis was conducted with focus on our CIB lending portfolio as it accounts for 75% while WPB only counts for the remaining 24%. We have excluded our Capital Market activities/subsidiaries because it constitutes less than 3% of our revenue in 2023. For the purpose of meeting the recommendations of the PRB framework, impact analysis and target-setting will focus primarily on the CIB book.</p>	<p><b>SAB Annual report 2023</b>  <b>URL:</b>  <a href="https://www.sab.com/content/dam/sabpws/files/reports-documents/en/category-reports/2023/financial-statements/SAB%20Annual%20Report%202023%20English.pdf.coredownload.inline.pdf">https://www.sab.com/content/dam/sabpws/files/reports-documents/en/category-reports/2023/financial-statements/SAB%20Annual%20Report%202023%20English.pdf.coredownload.inline.pdf</a></p> <ol style="list-style-type: none"> <li>1. Corporate and Institutional Banking - refer to pages 58,59</li> <li>2. Wealth and Personal Banking – refer to pages 60,61</li> </ol> <p><b>SAB's CIB Sector Portfolio Review 2023</b>  <b>URL:</b>  <a href="https://www.sab.com/esg/Analysis_SAB_Exposure.pdf">https://www.sab.com/esg/Analysis_SAB_Exposure.pdf</a></p>

**b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries<sup>3</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank’s scale of exposure, please elaborate, to show how you have considered where the bank’s core business/major activities lie in terms of industries or sectors.

Response	Links and references																																																											
<p>SAB has included the bank's total lending portfolio as of Dec 31<sup>st</sup> 2023 in the Portfolio Impact Analysis Tools. This breaks down to 24% in WBP lending and 75 % CIB lending and essentially all of this is located in Kingdom of Saudi Arabia.</p> <p>Below is the full breakdown of SAB lending portfolio at 2023 year end including WBP and CIB exposure. For the purpose of using the Portfolio Impact Assessment tool, a more granular breakdown was utilized.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr style="background-color: #f2f2f2;"> <th rowspan="2" style="text-align: left;">Sector-wise Loans and Advances</th> <th colspan="3" style="text-align: center;">Total Exposure (SAR'(000))</th> </tr> <tr style="background-color: #f2f2f2;"> <th style="text-align: center;">2023</th> <th style="text-align: center;">2022</th> <th style="text-align: center;">2021</th> </tr> </thead> <tbody> <tr><td>Government and Quasi-Government</td><td style="text-align: center;">-</td><td style="text-align: right;">143,368</td><td style="text-align: right;">806,152</td></tr> <tr><td>Finance</td><td style="text-align: right;">11,526,275</td><td style="text-align: right;">12,013,300</td><td style="text-align: right;">9,666,903</td></tr> <tr><td>Agriculture and Fishing</td><td style="text-align: right;">629,659</td><td style="text-align: right;">444,928</td><td style="text-align: right;">642,292</td></tr> <tr><td>Manufacturing</td><td style="text-align: right;">22,236,306</td><td style="text-align: right;">23,545,441</td><td style="text-align: right;">24,640,841</td></tr> <tr><td>Mining and Quarrying</td><td style="text-align: right;">7,200,480</td><td style="text-align: right;">5,140,420</td><td style="text-align: right;">3,690,721</td></tr> <tr><td>Electricity , Water , Gas and Health Services</td><td style="text-align: right;">20,785,568</td><td style="text-align: right;">16,129,354</td><td style="text-align: right;">12,741,942</td></tr> <tr><td>Building and Construction</td><td style="text-align: right;">16,685,491</td><td style="text-align: right;">12,693,770</td><td style="text-align: right;">10,762,716</td></tr> <tr><td>Commerce</td><td style="text-align: right;">52,465,896</td><td style="text-align: right;">44,145,387</td><td style="text-align: right;">39,554,220</td></tr> <tr><td>Transportation and Communication</td><td style="text-align: right;">12,996,426</td><td style="text-align: right;">11,078,876</td><td style="text-align: right;">14,021,256</td></tr> <tr><td>Services</td><td style="text-align: right;">10,756,812</td><td style="text-align: right;">9,541,999</td><td style="text-align: right;">9,860,103</td></tr> <tr><td>Credit Cards and Other Retail Lending</td><td style="text-align: right;">55,040,540</td><td style="text-align: right;">47,447,805</td><td style="text-align: right;">40,451,780</td></tr> <tr><td>Others</td><td style="text-align: right;">7,727,644</td><td style="text-align: right;">2,976,653</td><td style="text-align: right;">3,647,030</td></tr> <tr style="font-weight: bold;"> <td style="text-align: right;">Total Exposure</td> <td style="text-align: right;">218,251,097</td> <td style="text-align: right;">185,301,301</td> <td style="text-align: right;">170,485,956</td> </tr> </tbody> </table> <p>For further details on the our coporate portfolio, SAB published a Sector Portfolio Review that can be found on our ESG website.</p>	Sector-wise Loans and Advances	Total Exposure (SAR'(000))			2023	2022	2021	Government and Quasi-Government	-	143,368	806,152	Finance	11,526,275	12,013,300	9,666,903	Agriculture and Fishing	629,659	444,928	642,292	Manufacturing	22,236,306	23,545,441	24,640,841	Mining and Quarrying	7,200,480	5,140,420	3,690,721	Electricity , Water , Gas and Health Services	20,785,568	16,129,354	12,741,942	Building and Construction	16,685,491	12,693,770	10,762,716	Commerce	52,465,896	44,145,387	39,554,220	Transportation and Communication	12,996,426	11,078,876	14,021,256	Services	10,756,812	9,541,999	9,860,103	Credit Cards and Other Retail Lending	55,040,540	47,447,805	40,451,780	Others	7,727,644	2,976,653	3,647,030	Total Exposure	218,251,097	185,301,301	170,485,956	<p><b>SAB ESG report 2023</b>  <b>URL:</b>  <a href="https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf">https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf</a></p> <ul style="list-style-type: none"> <li>- Reducing Our Environmental Footprint - refer to page 83</li> </ul> <p><b>SAB Annual report 2023</b>  <b>URL:</b>  <a href="https://www.sab.com/content/dam/sabpws/files/reports-documents/en/category-reports/2023/financial-statements/SAB%20Annual%20Report%202023%20English.pdf.coredownload.inline.pdf">https://www.sab.com/content/dam/sabpws/files/reports-documents/en/category-reports/2023/financial-statements/SAB%20Annual%20Report%202023%20English.pdf.coredownload.inline.pdf</a></p> <ul style="list-style-type: none"> <li>- Supporting Micro, Small and Medium-sized Enterprises - refer to page 66</li> </ul>
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Loans and off-balance positions to MSME customers (Dec 2023)				
	Micro	Small	Medium	Total
Loans to MSMEs	1,515	2,975	6,538	11,027
Off-balance sheet positions of MSMEs	3,185	2,416	9,467	15,068
Loans to MSMEs as a percentage of total SAB loans	0.68%	1.34%	2.94%	4.97%
Off-balance sheet positions of MSMEs as a percentage of total SAB off-balance sheet positions	2.43%	1.85%	7.24%	11.52%
Number of credit facilities	1,370	2,385	4,730	8,485
Number of customers with credit facilities	526	685	481	1,665
Number of credit facilities guaranteed by Kafalah programme	646	1,106	1,073	2,825
Amount of credit facilities guaranteed by Kafalah programme	344	563	1,050	1,957

**c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?<sup>4</sup> Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

*This step aims to put your bank's portfolio impacts into the context of society's needs.*

*Response*

SAB has performed a sustainability materiality assessment during the process of developing its ESG Strategy in 2022. The materiality assessment took into consideration consultation with the relevant stakeholders as highlighted in other sections of this report. Details about our materiality assessment can be found in our 2022 ESG Report. In addition to this, SAB took additional steps to complement previous assessments with tools and principles set under the UN PRB.

SAB also aligns with the impacts, targets, and strategic goals of sustainable development of the Kingdom of Saudi Arabia. SAB does this by working with regulatory stakeholders such as ESG Saudi Banks Advisory Committee (EBAC) established by the Saudi Central Bank (SAMA) and the Corporate Sustainability Policy Development Working Group led by the Ministry of Economy and Planning (MEP), SAB has also been nominated by the MEP as a Sustainability Champion.

Based on the combined results of SABs external engagement, our materiality assessment and the output from the Portfolio Impact Analysis Tools for Banks, we have identified the most critical impact areas with respect to sustainable development in Saudi Arabia as 1) Availability, Accessibility, Affordability, Quality of Resources & Services, 2) Climate Stability, 3) Circularity, and 4) Infrastructure.

*Links and references*

**SAB ESG report 2023**  
**URL:**  
<https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf>  
 - Our ESG Risk Environment - refer to page 74

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)5? Please disclose.

*Response*

SAB has identified Availability, Accessibility, Affordability, Quality of Resources & Services as a key impact area with the largest positive impact specifically focusing on water, energy, housing, education, food, health and safety, information, mobility, and healthcare & sanitation.

*Links and references*

**SAB ESG report 2023**  
**URL:**  
<https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf>  
 - How We Manage ESG Risks - refer to page 77

<sup>1</sup> That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.  
<sup>2</sup> Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).  
<sup>3</sup> 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.  
<sup>4</sup> Global priorities might alternatively be considered for banks with highly diversified and international portfolios.  
<sup>5</sup> To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.



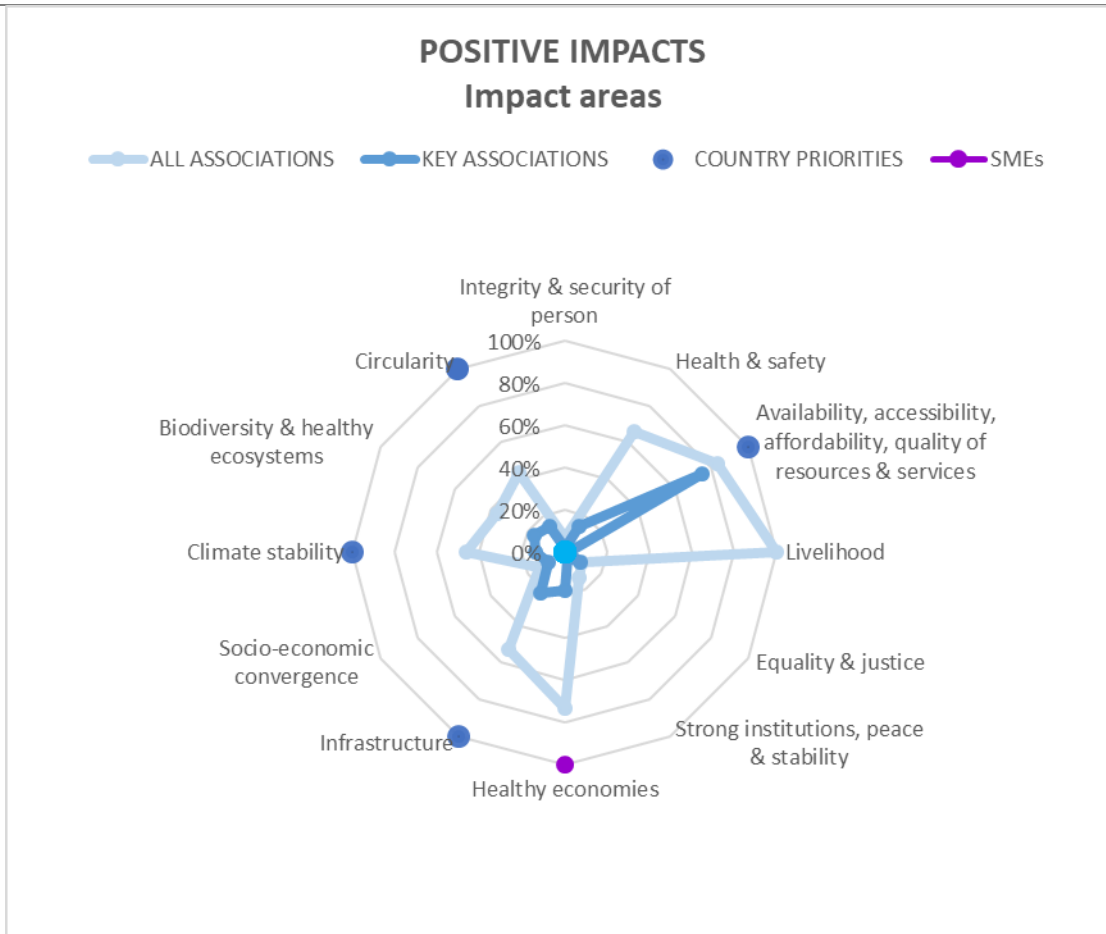


Figure 1. Positive Impact Analysis of SAB Corporate Banking (CIB) Portfolio. The Country Priorities were modified to include only areas of high level of need based on statistics where Saudi Arabia has established policies related to the same area.

Climate stability was identified as the second impact area with significant negative association. SAB had initiated multiple steps to manage and mitigate this risk as highlighted in its 2023 ESG Report.

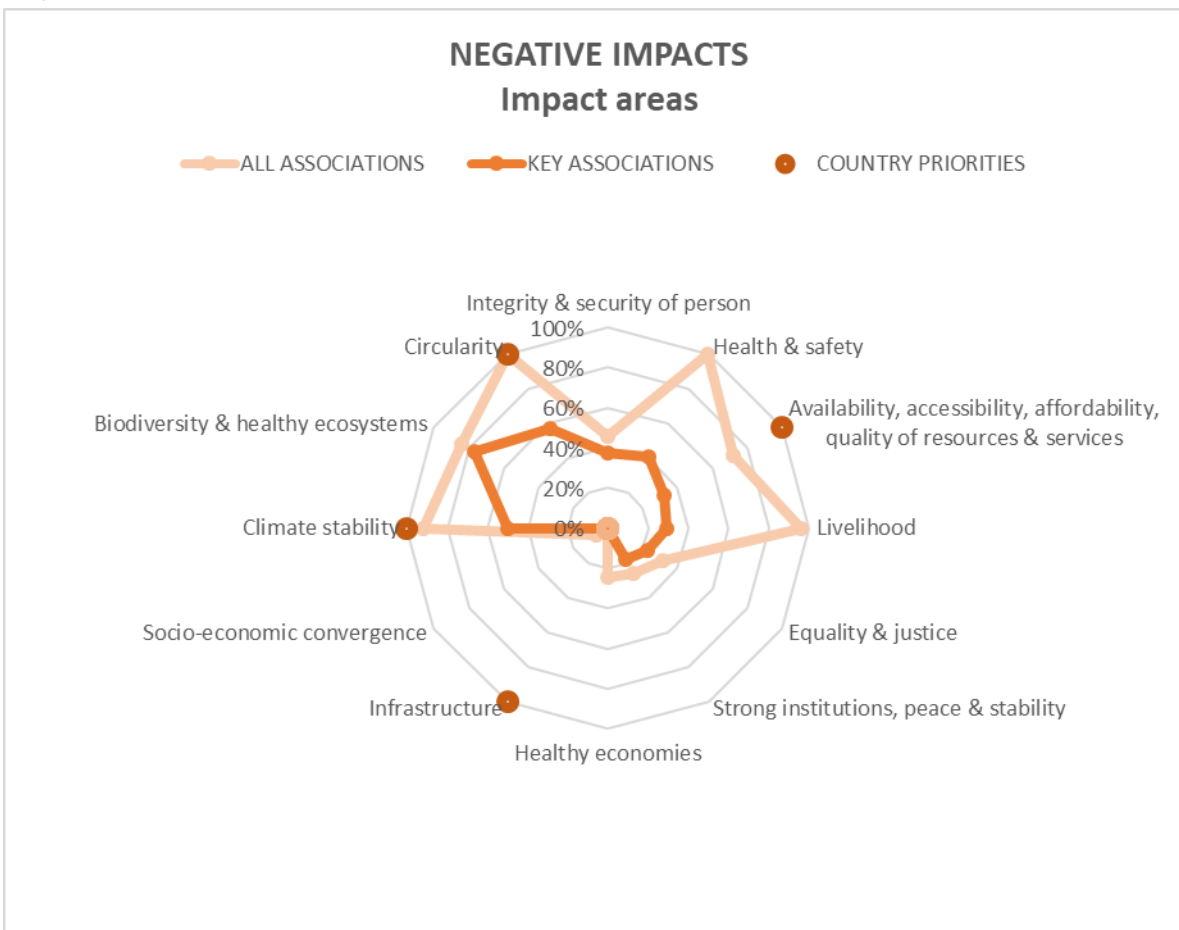


Figure 2. Negative Impact Analysis of SAB Corporate Banking (CIB) Portfolio. The Country Priorities were modified to include only areas of high level of need based on statistics where Saudi Arabia has established policies related to the same area.

The selection process of impact area priorities has passed the internal governance requirements including cross-functional stakeholder engagement from the ESG Office, Business, and Risk. The results were later endorsed by the ESG Steering Committee.

**d) For these (min. two prioritized impact areas): *Performance measurement.*** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting

from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

*The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.*

Response	Links and references
<p>Current targets and accomplishments related to existing sustainability targets are listed below:</p> <ul style="list-style-type: none"> <li>- SAB has committed to deploy SAR 34 billion of sustainable financing and investments by 2025. SAB has achieved SAR 12.6 billion of at year-end 2023. For examples, SAB financed Marafiq Red Sea for Energy which provides utilities for the Red Sea Company including water systems, a wastewater plant and sewage system, solar-powered electricity, and a district cooling plant. SAB is also financing the largest green hydrogen project in the world in NEOM. SAB is also a financier of many of the renewable energy projects under the National Renewable Energy Programs in KSA.</li> <li>- SAB is committed to catalyze the growth of the SME sector in alignment with the Saudi 2030 Vision <ul style="list-style-type: none"> <li>• The bank supported MSMEs through engagement with the Real Estate Development Fund (REDF), the Tourism Development Fund (TDF), and the National Technology Development Programme (NTDP).</li> <li>• Through Kafalah, SAB facilitates financing for MSMEs in cooperation with the Saudi Industrial Development Fund. The Kafalah programme enables MSME funding of up to SAR 15 million and services to eligible clients. It cooperates with the Saudi Industrial Development Fund (SIDF), focusing on Shariah-compliant solutions.</li> <li>• SAB also partners with Monsha'at, the General Authority for Small and Medium Enterprises, through co-financing for banks' customers, and with the SME Bank of Saudi Arabia.</li> </ul> </li> <li>- SAB has committed to achieve Net Zero in its operations (scope 1 and 2, as well as operational scope 3 emissions) by 2035 .</li> <li>- SAB has committed to achieve Net Zero in our value chain, in particular, financed emissions (scope 3) by 2060 or sooner.</li> <li>- SAB has transitioned to a LEED gold-certified smart building to help reduce operational emissions.</li> <li>- SAB is collaborating with the National Centre for Vegetation Development (NCVC), contributing to the 10 Billion Trees initiative, aiming to plant 1 million trees by 2030. SAB is also supporting the development of a local seed propagation centre to nurture seedlings fit for the native climate.</li> </ul>	<p><b>SAB ESG report 2023</b>  <b>URL:</b>  <a href="https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf">https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf</a></p> <ol style="list-style-type: none"> <li>1. Supporting MSMEs – refer to pages 22, 23</li> <li>2. Metrics and Targets– refer to page 81</li> </ol>



**Self-assessment summary:**

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?<sup>6</sup>

- |                          |   |   |                             |
|--------------------------|---|---|-----------------------------|
| Scope:                   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress            | <input type="checkbox"/> No |
| Portfolio composition:   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress            | <input type="checkbox"/> No |
| Context:                 | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress            | <input type="checkbox"/> No |
| Performance measurement: | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> In progress | <input type="checkbox"/> No |

**Which most significant impact areas have you identified for your bank, as a result of the impact analysis?**

*Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify*

**How recent is the data used for and disclosed in the impact analysis?**

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: *(optional)*

<sup>6</sup> You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

## 2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets<sup>7</sup> have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with<sup>8</sup> have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

*You can build upon the context items under 2.1.*

### Response

As part of SAB ESG Strategy which was established in 2022, SAB has committed to allocate financing toward a just and sustainable economy

- Support the transition of our customers to a more sustainable and diversified economy through our products and services
- Scale up sustainable financing and investments to SAR 34 billion by 2025, supporting the Kingdom's Vision 2030
- Measure the carbon footprint of our portfolio, and achieve Net Zero by 2060 or sooner, with an active focus on a just transition
- Align our operations and supply chain to ambitious science based targets and achieve key milestones by 2030, with an aim to achieve Net Zero in our operations by 2035
- Plant 1 million trees to offset 0.9 million tons of CO<sub>2</sub>

Target-setting and baselining of the selected impact areas and their links to existing targets is work-in-progress and will be communicated accordingly in the following PRB disclosures as recommended by in the PRB timelines.

### Links and references

**SAB ESG report 2023 URL:**

<https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf>

**b) Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

*You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.*

*A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.*

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

Impact area	Indicator code	Response
Financial health & inclusion	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

### Response

Target-setting and baselining of the selected impact areas and their links to existing targets is work-in-progress and will be communicated accordingly in the following PRB disclosures as recommended by in the PRB timelines.

### Links and references

<sup>7</sup> Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

<sup>8</sup> Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

## Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

### 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers<sup>9</sup> in place to encourage sustainable practices?

Yes       In progress       No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes       In progress       No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities<sup>10</sup>. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

*This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).*

#### Response

SAB considers its customers among its priority stakeholders and aims to cultivate a sustainable customer base, ensuring their ongoing satisfaction over the short, medium, and long term. In alignment with our and moreover the Kingdom's established ESG goals and Vision 2030, we aspire to be the premier ESG bank for all citizens and residents.

Through sustainable financing, SAB aims to deploy SAR 34 billion allocated for this purpose in:

- Financing to enable clients' shifting to sustainable and low-carbon activities
- Products and services include underwriting, direct lending, and trade and receivables finance with defined use of proceeds requirements consistent with market established principles
- Also includes sustainability-linked facilities where SAB has a role in structuring the sustainability performance targets

Scope 3 emissions are a critical element of SAB's carbon footprint. While substantial, they are also most challenging to assess and control. In particular, financed emissions are a challenge, and SAB has launched projects to evaluate all of its scope 3 emissions. Financed emissions are the GHGs emitted by the companies we lend to. The long-term goal is to achieve Net Zero across our entire portfolio. To accomplish that, we need to first understand our financed emissions, so we can then effectively decarbonise our business and full value chain (scope 3, category 15). The bank has initiated a baselining exercise encompassing three stages:

- **In place** Transition Engagement Questionnaire
- **Ongoing** Scope 3 baseline of selected hard to-abate sectors
- **Outlook** Scope 3 baseline across all sectors

#### Transition Engagement Questionnaire

As a first step, we launched a Transition Engagement Questionnaire (TEQ). This tool enables frontline teams to gather pertinent information to assess physical and transition risks. The tool also triggers a conversation between the front line staff and the client on the most relevant ESG risks and opportunities for the customer. The primary aim of the TEQ is to collect relevant data from customers in hard-to-abate sectors. In step two, we have prioritised a select set of hard-to-abate sectors to review. We're diligently collecting emissions data to quantify our scope 3 emissions and will complete this exercise in the first half of 2024. Outcomes will inform strategy on targets and be part of future engagements with stakeholders. The final step in our transparency initiative is establishing a scope 3 baseline across all sectors. This is projected to occur within a mid-term timeframe, where the specific timelines will be determined in due course. Once we have a clear overview of our portfolio's carbon footprint, we will be able to enhance our sustainability- and climate strategy to set decarbonisation targets for our lending activities.

#### Financed Emissions

In line with our commitment to become a Net Zero bank by 2060 or earlier, we are reviewing our financed emissions baseline for select sectors in 2024. In disclosing our own financed emissions footprint, we are seeking to lead by example, providing transparency to our key stakeholders. Determining our financed emissions baseline involves various methodological choices, including which sectors, clients, and products to include, as well as which parts of the value chain to focus on. We are considering what is most suitable for our portfolio and operating environment in the Kingdom, drawing on

#### Links and references

##### **SAB's Sustainable Finance & Investments - Data dictionary**

##### **URL:**

<https://www.sab.com/microsite/esg/Sustainable%20Finance%20&%20Investments%20-%20Data%20dictionary.pdf>

- SAB's sustainable financing – refer to page 2

##### **SAB ESG report 2023**

##### **URL:**

<https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf>

1. Sustainable Finance Journey – refer to page 68, 69, 70
2. Financed emissions – refer to page 85
3. Scope 3 emissions – refer to page 85

##### **TEQ sample**

##### **URL:**

<https://www.sab.com/esg/Sustainable%20Finance%20&%20Investments%20-%20Data%20dictionary.pdf>

industry standards like those developed by the Partnership for Carbon Accounting Financials (PCAF). Measuring financed emissions poses challenges due to limited public emissions disclosure among companies in the Kingdom. Therefore, we have to rely on proxies and modelled estimates, following industry norms. Over time, we expect emissions data quality and accuracy to improve as more companies disclose their emissions. Efforts like the Saudi Exchange's voluntary ESG disclosure guidelines and the Saudi Central Bank's evaluation of IFRS ISSB sustainability standards are encouraging steps toward disclosure of financed emissions, which SAB will consider in due course. As we navigate these complexities of measuring and disclosing financed emissions, we will remain committed to transparency, accountability, and sustainability.

### 3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

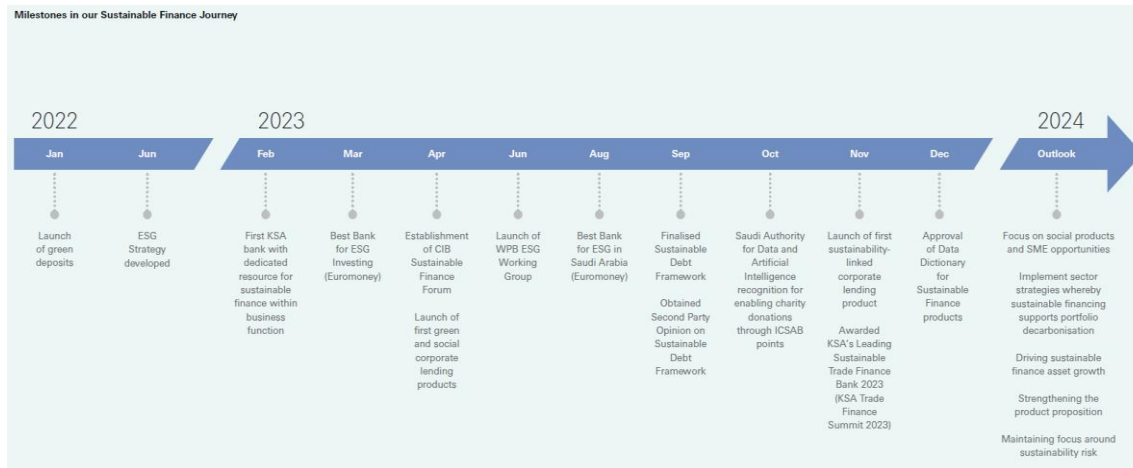
#### Response

At SAB, sustainability is a continuous journey guided by accountability and improvement. To uphold transparency and responsible practices, we've established clear metrics and targets spanning sustainable finance initiatives and reductions in scope 1, 2, and 3 emissions. These efforts reflect our broader sustainability strategy, centred on finance, climate action, and social objectives that resonate with the Kingdom's priorities. This section offers insights into our progress toward fulfilling these commitments. Building on our public commitment, SAB is dedicated to deploying SAR 34 bln of sustainable financing and investments by 2025. We have reached SAR 12.6 bln as at year end 2023 and are steadfast in advancing this success throughout 2024.

#### Sustainable Finance Position

Category	Metric	End of 2023
Sustainable finance limits approved by CIB Sustainable Finance Forum ( CSFF)	SAR million	10,988
Sustainable finance deposits	SAR million	648
Investments	SAR million	998
Total	SAR million	12,634

We are proud of how far we have come, particularly in 2023, and present the main milestones on our journey in the following:



#### Sustainable Finance Products:

Products	Primary Referencing Frameworks
Green bonds	ICMA Green Bond Principles
Social bonds	ICMA Social Bond Principles
Sustainability bonds	ICMA Sustainability Bond Guidance
Sustainability linked bonds	ICMA Sustainability Linked Bond Principles
Green loans	LMA Green Loan Principles
Other green qualified lending	
Green trade finance	
Sustainable trade instrument	
Green deposits	
Social loans	LMA Social Loan Principles
Other Social qualified lending	LMA Social Loan Principles

#### Links and references

#### SAB's Sustainable Finance & Investments - Data dictionary

##### URL:

<https://www.sab.com/microsite/esg/Sustainable%20Finance%20&%20Investments%20-%20Data%20dictionary.pdf>

#### SAB ESG report 2023

##### URL:

<https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf>

- Sustainable Finance metrics and targets - refer to page 82

<sup>9</sup> A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

<sup>10</sup> Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Sustainable supply chain finance (SFC)	LMA Sustainability Linked Loan Principles UN sustainable Development Goals	
<p><u>Sustainable Finance Examples:</u></p> <ul style="list-style-type: none"> <li>• Kingdom's first green deposit in January 2022, we launched the first green deposit to allow retail clients to safely deposit their money in favour of green financing initiatives</li> <li>• Red Sea Development in March 2021, SAB acted as one of the mandated lead arrangers on the SAR 14 billion financing raised to fund the Red Sea project, and HSBC served as a green loan coordinator on the transaction</li> <li>• NEOM Green Hydrogen: SAB supports the financing of the world's largest carbon-free green hydrogen and green ammonia plant with a green loan facility. Estimates put the potential production at 560 tons of green hydrogen per day and 1.16 million tons of green ammonia per year</li> </ul>		



## Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

### 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups<sup>11</sup>) you have identified as relevant in relation to the impact analysis and target setting process?

Yes       In progress       No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

#### Response

SAB values the perspectives of its stakeholders and actively engages with them to gain insights and foster mutually beneficial relationships. They are the ones who we listen to when it comes to determining impacts, risks, and opportunities in our assessments of material issues.

**Customers:** Customers are at the heart of our business model, driving revenue, shaping our reputation, and offering invaluable feedback that propels our growth.

In 2023, our most important engagement channels and highlights were:

- Robust client interactions conducted in our branches or through online and mobile banking platforms resulting in an impressive customer recommendation index of 96.4 for WPB and 93.4 for CIB, compared to 95 for WPB and 91 for CIB the previous year.
- Our "Voice of the Customer" initiative involves sending surveys to our customers to gather feedback and address any complaints. We utilise this feedback to continuously enhance our services and improve the overall customer experience

**Employees:** Our employees are the foundation of our success. We continuously invest into our employees' skills and development, so that they can foster their talent. Our graduate programme provides professional avenues for young Saudi talent and makes sure we develop our youth. We have numerous initiatives, processes and policies that make sure SAB can provide a nurturing, diverse, innovative, and positive environment for all employees.

In 2023, our most important engagement channels and highlights were:

- Our Pulse Check Survey in which we improved the NPS from 11 in 2022 to 19 in 2023.
- Town hall discussions on specific topics, such as our move to our new and more sustainable LEED certified headquarters.
- Volunteering activities such as packaging food for the Et'aam food bank during Ramadan.
- Our graduate programme, through which we recruited 20 graduates in 2023.

**Regulators:** Saudi Arabian laws and governing authorities govern SAB. These include the Ministry of Commerce, the Saudi Central Bank, the Capital Market Authority, and the Zakat Tax and Customs Authority. As we implement Vision 2030, regulators are amongst our most valuable partners in bringing the ambitions of the Vision to fruition. In 2023, our most important engagement channels and highlights were:

- EBAC was established by SAMA to integrate ESG principles into finance. SAB's CEO chairs this committee, and SAB actively contributes to furthering the committee's objective.
- SAB was appointed as one of just two voting members from the banking sector to the Corporate Sustainability Policy Development Working Group (CSPD), operating under the mandate of the Ministry of Economy & Planning.

**Shareholders and Investors:** Shareholders play a pivotal role in providing us with essential capital, networks, and expertise, empowering us to generate value for the market. As significant stakeholders, they hold us accountable and offer invaluable market insights and feedback to SAB. We reciprocate by creating value for them. The exceptional performance witnessed in 2023 underscores our ability to enhance shareholder value, and we are pleased to continue this trend by further elevating our performance. In 2023, our most important engagement channels and highlights were:

- Annual General Meeting
- Quarterly earnings calls
- Local, regional, and international investor conferences
- Regular meetings with the analyst community

#### Links and references

#### SAB 2023 ESG report

URL:

<https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf>

- Stakeholder Engagement - refer to page 74, 75

<sup>11</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations



- Regular meetings with investors locally at our offices, and also virtual meetings
- Documented updates, including regular presentations, earning releases, and transcripts that can be accessed from our website

**Business partners:** Our business partners enable us to execute on our mandate. Notably, they support our alignment with Vision 2030, enhance our reputation in the marketplace and they contribute to our financial performance and brand health.

In 2023, our most important engagement channels and highlights were:

- One-on-one meetings and engagements
- Conferences
- Contracts

**Suppliers and service providers:** Via our partnerships with reliable and competent suppliers, we maintain consistency in service and product quality, reliability, and innovation. They allow us to maintain competitiveness and enhance our operational efficiency.

In 2023, our most important engagement channels and highlights were:

- Vendor assessments
- Personal meetings and engagements

**Society and Communities:** SAB exists within a broader community, which is particularly important to us. As a significant bank within Saudi Arabia, we contribute to the well-being of the communities we serve and enhance their prosperity.

In 2023, our most important engagement channels and highlights were:

- The Riyali Foundation, provided financial literacy education to over 730,000 students between 2022 and 2023.
- Our partnership with Goumbook promotes regenerative agriculture practices in the region.
- Our longstanding collaboration with the KAUST startup accelerator Taqadam
- Our “Khanzah Project” aims to enhance women’s financial independence through improved financial literacy, enabling better financial planning and management of daily expenses.
- SAB partners with Al-Nahda Society on women empowerment programmes, explicitly targeting enhanced financial literacy among women.

# Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

## 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

- Yes       In progress       No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including **remedial action** in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

### Response

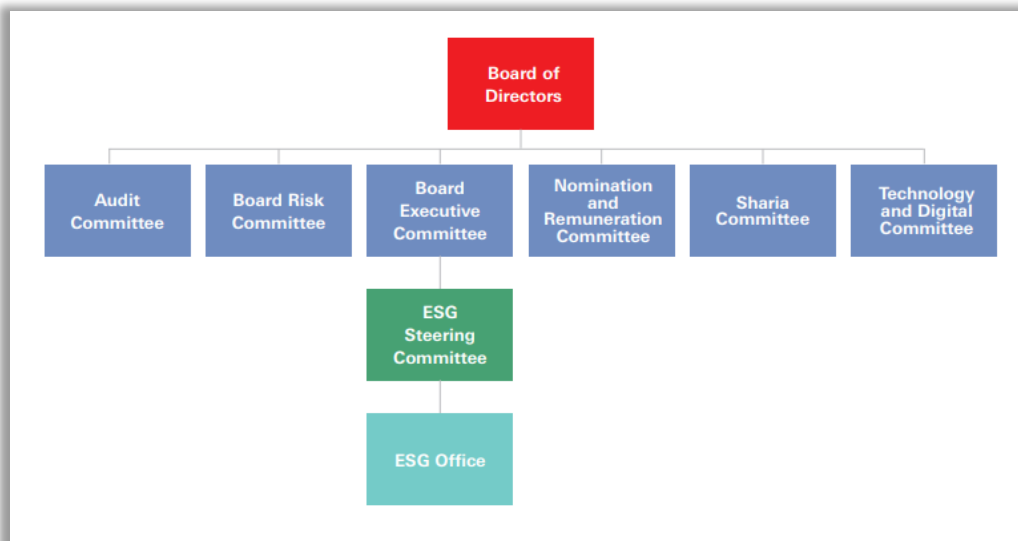
ESG governance is a cornerstone of how we do business, influencing every facet of our work as we strive towards our profitable, equitable growth strategy and our 2060 Net Zero commitment. That is why ESG responsibilities are also included in the Balanced Scorecards and thereby embedded across all functions of the Bank including the Managing Director & CEO and his direct reports

SAB's strong ESG governance structure, processes, and frameworks are the foundation of our overarching ESG strategy. ESG integration is a bank-wide endeavour that touches all functions. Nevertheless, clear roles, responsibilities, and oversight at the board, committee, and management levels ensure adequate supervision of ESG and climate risks.

- **The Board of Directors**

The Board of Directors is responsible for promoting SAB's long-term sustainable performance and growth. It retains the ultimate responsibility for ESG matters including climate. The Board and senior leadership contribute to and oversee the evolution of ESG's strategy and are provided with an ESG orientation. The Board authenticates the ESG risk appetite and emphasises the pursuit of sustainable shareholder value. Additionally, the Board provides feedback on targets, endorses the ESG report, and regularly receives updates on ESG performance and sustainable finance, relying on the information provided by the ESG Steering Committee and other relevant ESG-related forums. SAB's Board of Directors has instituted several Board and Management Committees dedicated to advancing ESG targets and implementing strategy. However, the Board retains the ultimate responsibility, ensuring a strong approach to ESG governance. The Board and senior leadership contribute to and oversee the evolution of ESG's strategy and are provided with an ESG orientation.

- The Board of Directors delegates some responsibilities, including ESG responsibilities, to selected Board Committees:
  - The Executive Committee (EXCOM)
  - The Audit Committee (AUCOM)
  - The Nomination and Remuneration Committee (NRC)
  - The Board Risk Committee (BRC)



### Links and references

#### SAB's 2023 ESG report

URL:

<https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf>

1. ESG Governance Structure – refer to page 50, 51
2. SAB's Sustainable Data Dictionary – refer to page 52
3. SAB's Sustainable Debt Framework – refer to page 52, 53
4. ESG steering committee – refer page 56
5. Ethics and Integrity – refer to page 57

#### SAB's Sustainable Finance & Investments - Data dictionary:

URL:

<https://www.sab.com/microsite/esg/Sustainable%20Finance%20&%20Investments%20-%20Data%20dictionary.pdf>

- **ESG Steering Committee**

The ESG Steering Committee supports all executives in developing and delivering our ESG strategy. Answering directly to the EXCOM, the ESG Steering Committee is the cornerstone for comprehensive governance, management, and coordination of all endeavours outlined in SAB's ESG strategy. It offers holistic governance, oversight, management, and coordination of all commitments within the approved ESG strategy. The Committee draws its authority from the EXCOM and fulfils its delegated responsibilities within the bank's risk appetite and corporate governance framework.

The selection of committee members is a collaborative effort led by the Managing Director and the Company Secretary, ensuring a diverse and inclusive representation. Presently, the ESG Steering Committee comprises the following members:

- Managing Director (Chair)
- Chief Financial Officer
- Chief Risk Officer
- Chief Operating Officer
- Chief Corporate and Institutional Banking Officer
- Chief Retail Banking and Wealth Management Officer
- Chief Treasury Officer
- Company Secretary
- Chief Human Resource Officer

Permanent invitees to the Committee are:

- Chief Strategy Officer
- Head of Corporate Communication

The ESG Steering Committee met seven times in 2023, and the key topics addressed included: ESG Strategy implementation progress - Sustainable financing - Financed emissions - ESG disclosures - External collaborations on ESG topics domestically These matters are instrumental in driving SAB's ESG strategy and in informing further actions on ESG performance monitoring, SAB's sustainability outlook, and planned ESG initiatives.

- **ESG Office**

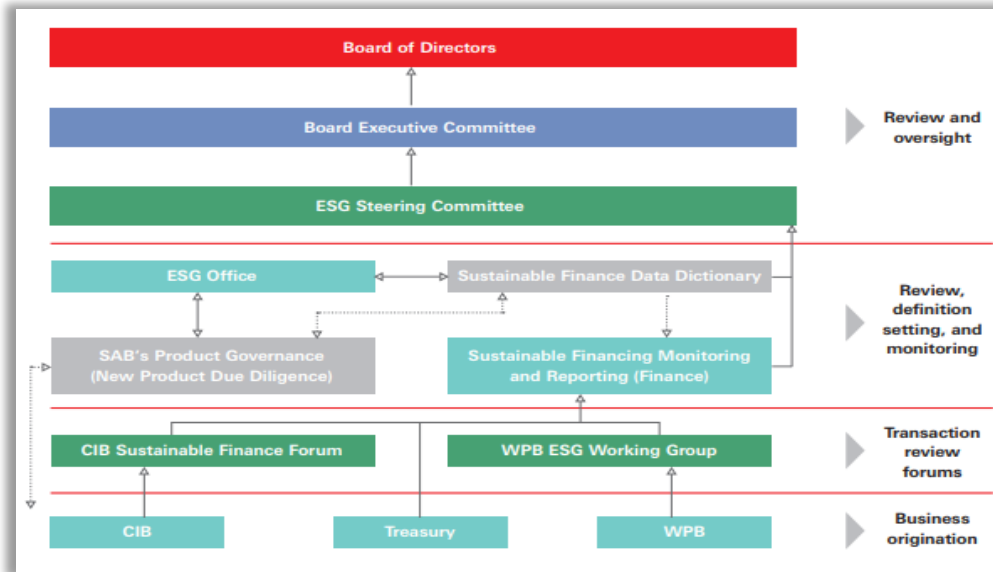
The ESG Steering Committee is supported by the ESG Office, which conducts the day-to-day work on ESG Strategy execution in conjunction with all functions across the bank, ESG reporting and disclosures, ESG spending and cost control, ESG governance, and monitoring and tracking of ESG indicators. The ESG Office is responsible for developing and recommending appropriate governance of ESG activities in collaboration with relevant functions across the bank. Knowing that sustainability is essential to all business functions, the ESG Office aids Human Resources in enhancing sustainability knowledge and competencies through upskilling and capability-building initiatives.

**Sustainable Finance:**

Operationally, sustainable finance is originated in our business divisions CIB, WPB, and Treasury. This origination is tied into the broader sustainable finance governance structure which consists of three layers:

- At its foundation, there is the layer of 'Transaction review forums'. Organised by division, these forums approve, monitor, and address sustainable finance issues at transaction or customer levels. For example, the CIB Sustainable Finance Forum ensures compliance across corporate portfolios and client transactions, engaging business representatives, risk, and compliance.
- The intermediate layer is 'Review, definition setting, and monitoring'. Sustainable finance issues are recorded, monitored, and aggregated by Finance, guided by the Sustainable Finance Data Dictionary, which is directly linked to SAB's Product Governance. The Product Governance defines which products can be originated by the business divisions. The ESG Office coordinates the linkage between the Data Dictionary and the Product Governance.
- The top layer is responsible for 'Review and oversight' of sustainable finance. Finance reports on sustainable finance to the ESG Steering Committee, alongside the Data Dictionary. From there, the information is further cascaded up to the Board Executive Committee, and ultimately to the Board of Directors. These entities provide strategic direction, conduct performance evaluations, and address escalated issues following defined protocols and procedures.

At the heart of SAB's approach to sustainable finance lies the Sustainable Finance Data Dictionary. This comprehensive tool delineates the principles governing ESG-focused products and the international standards to which they adhere. Before any products are admitted to the data dictionary, they undergo a robust due diligence process to mitigate risks and ensure they follow the highest standards. For more information on the Sustainable Finance Data Dictionary, have a look at our ESG page: <https://www.sab.com/esg/index.html>



## 5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

### Response

Knowing that continuous training allows employees to develop and improve their skills and enhances the quality of our services, we are committed to fostering a culture of constant learning, growth, and professional development.

SAB designs its training based on the annual employee survey results and offers a range of programmes related to ESG, digital transformation, cybersecurity, financial risks, and customer-centricity.

We placed special focus on raising awareness and skills in ESG areas across the Bank. In 2022, SAB senior leadership received off-site training on ESG topics and how they relate to the Bank and the Kingdom.

The SAB Corporate Banking Relationship Managers working with the oil and gas industry also received ESG training around the direction of finance activities in this sector. In addition, ESG e-learning modules have been rolled out to staff members across the Bank. In 2023, 3,866 employees participated in training for 85,455 hours.

Moreover, we provide specialised training and development programme tailored for leadership, management, and client relations to equip our employees for future roles and to enhance their management capabilities further.

Below are some of the specialised training sessions we offered to our employees in 2023:

- Tailored cross-selling workshops designed for front-line business relationship managers and leaders. The programme focused on enhancing cross-selling initiatives between CIB, WPB, and the Treasury, with a total of 284 employees taking part. SAB offered 40 participants the opportunity to participate

To embed ESG consciousness across our operations, we have nominated ESG champions to drive training, awareness, and employee advocacy. Our ESG champions are identified across the Bank to lead ESG-related communication and initiatives. This enables us to ensure a consistent approach towards ESG practices within the organisation. We have also implemented a structured ESG training programme. Training cascades from management levels through to finance and risk teams, frontline staff, and ultimately all employees. In addition to training initiatives, the Bank has begun ESG awareness sessions. During 2022, 35 champions were identified across the business, including in the CIB and WPB divisions. Our ESG champions undertook specialised sustainable finance training from Moody's to capacitate them for enhancing awareness in their respective segments and product areas. Several experts from HSBC Group also held sessions with SAB staff to support the learning roadmap. Topics covered included energy transition, climate risk, ESG, and global markets, among others. Examples of successful green and sustainable financing transactions were also shared with frontline staff. SAB has developed a plan to deliver an impactful learning programme across the Bank to help with the development of this topic.

### Transition Engagement Questionnaire:

On climate risk SAB realizes that the principal risk faced by the bank is related to our customers transition journeys which is linked to our financed portfolio, for that SAB gathers information from its customers through a transition engagement questionnaire (TEQ; a sample questionnaire can be found on our ESG microsite), which will assist in understanding the nature of the risks and opportunities for the bank and support the customer's transition journey. The impact of climate risk in the short term is considered low, with minimal impact on capital or liquidity. The medium- and longer-term effects remain difficult to predict at present. Efforts are currently ongoing to enhance SAB's capacity in comprehending climate risks and analyzing their medium- to long-term implications.

### Links and references

#### SAB's 2022 ESG report

##### URL:

[SAB 2022 ESG report 200623.pdf](#)

1. Training and career development - refer to page 93
2. SAB-wide ESG training - refer to page 108

#### SAB's 2023 ESG report

##### URL:

<https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf>

1. Training in SAB - refer to page 38
2. Transition engagement questionnaire - refer to page 67
3. Diversity and Inclusion – refer to page 40
4. Empowering People with Disabilities – refer to page 41



### Diversity and Inclusion

SAB stands as a leader in gender diversity and views diversity promotion not only as a responsibility but as an essential requirement for sustained corporate growth in today's dynamic world. We are committed to fostering gender diversity, starting from the highest leadership echelons and extending seamlessly through all organisational tiers.

Our Board comprises a well-balanced mix of skills, abilities, and expertise, featuring local and international members with extensive experience in financial and non-financial sectors. SAB was also the first listed company in Saudi Arabia to appoint a female Chair to the Board.

In 2023, we appointed over 25 female members to senior management-level positions and Board Committees, marking a significant step toward the promotion of gender diversity within our organisation. At the end of 2023, the gender diversity statistics were as follows:

Workforce Analysis by Gender	2023		2022		2021	
	Male	Female	Male	Female	Male	Female
Board	10	1	10	1	10	1
Executive management	10	5	10	5	9	5
Senior management	146	19	135	19	109	17
Middle and joiner management	2,741	945	2,730	810	2,799	766
Total full-time employees	2,897	969	2,875	834	2,917	788

### Empowering People with Disabilities

SAB promotes diversity externally through work with community organizations and inclusive customer service. In 2023, SAB also enabled further digitization of its services, expanding accessibility for all customers. This initiative aimed to ensure that SAB's suite of services becomes more inclusive, particularly benefiting remote, disabled, and elderly customers. By fostering the digitization of its services, SAB seeks to create a more user-friendly and accessible platform, bridging the gap for individuals facing geographical constraints and physical limitations. To promote inclusivity and support individuals with disabilities, in 2023, we raised the percentage of employees with disabilities to 1.73% from 0.86%. We are currently working towards increasing this figure to 4% by the end of 2026. Additionally, as part of our ongoing commitment to supporting individuals with disabilities, we have undertaken initiatives to enhance accessibility in our branches.

The following measures highlight our efforts in this regard:

- 88 of our branches are equipped with special facilities such as ramps, and 41 branches have lifts to accommodate people with disabilities.
- 25 of our ATMs are equipped with voice activated service to help visually impaired individuals.
- We are updating our in-branch ticketing system to prioritize prompt service for customers with disabilities.
- We use notched bank cards to accommodate customers with visual impairments.
- To provide further support to customers with visual impairments, we trained 120 service representatives to interact in sign language.

We partner with community-based organizations to support disability empowerment. Such as our collaboration with the National Centre CSR (NCCSR), Monsha'at, and the Ministry of Human Resources in "Paraabled Accelerator Programme". This initiative aims to provide multiple training sessions and workshops for para-abled citizens, empowering them to participate actively in society. With support from the Ministry, the programme assists qualified graduates in launching their businesses by backing their startup ideas, projects, or enterprises.

### 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?<sup>12</sup> Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

<sup>12</sup> Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

*Response*

SAB manages ESG risk within the risk management framework via policies and controls. We employ several essential risk management tools.

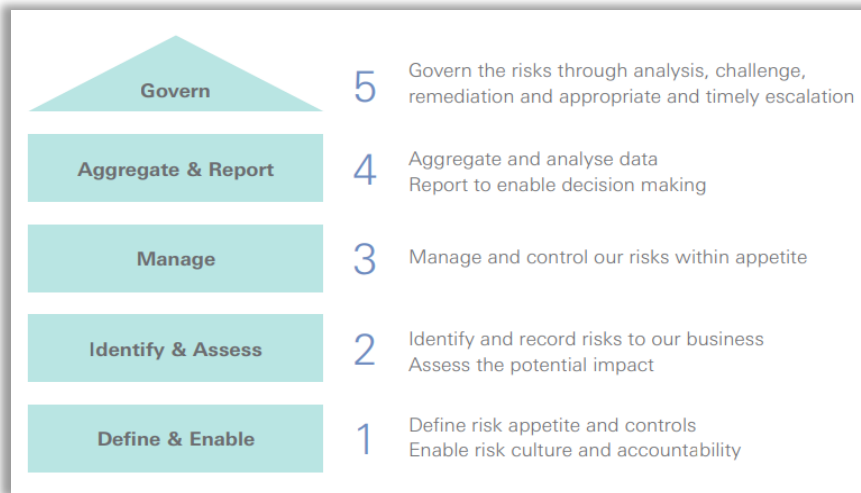
These include:

- A risk appetite statement
- A top- and emerging risks and a risk map that encompasses financial and non-financial risks
- Stress testing (Via regular stress testing, we assess our capital and liquidity requirements)

The central principles governing climate risk management are seamlessly integrated within SAB's existing Risk Management framework and 3 lines of defence model which are :

- The first line of defence owns the risks and is responsible for identifying, recording, reporting and managing them in line with risk appetite, and ensuring that the right controls and assessments are in place to mitigate them.
- The second line of defence challenges the first line of defence on effective risk management, and provides advice, guidance and assurance of the first line of defence to ensure it is managing risk effectively.
- The third line of defence is internal audit function, which provides independent assurance as to whether our risk management approach and processes are designed and operating effectively.

Our risk management process at SAB follows a structured five-step approach, encompassing identification, assessment, management, and reporting of risks, with clearly defined roles and responsibilities.



Climate risk is a cross-cutting topic across various financial and non-financial risk domains. It includes physical, transition, Net Zero alignment, and greenwashing risks. To address these risks and enhance long-term resilience while meeting stakeholder expectations, SAB developed a comprehensive approach to climate risk management. This approach involves upgrading capabilities, processes, and structures within the enterprise risk management framework.

The following steps include:

- > Climate risk materiality assessment to identify and prioritise climate risks
- > Climate risk metrics and a corresponding climate risk appetite statement
- > New policies and controls to manage climate risk effectively across the risk taxonomy
- > Climate stress testing under various scenarios
- > Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) concerning climate risks

SAB has made progress in quantifying climate risk exposure in 2023 but recognises the need for maturing in this domain.

**Policies and policy statements are now made available through SAB ESG website :**

- Anti-Bribery & Corruption Policy
- Anti-Money Laundering Policy
- Bylaws of Saudi Awwal Bank
- Code of Conduct For Board & Board Committee Members
- Consumer Protection Policy
- Corporate Social Responsibility Policy
- Human Rights Statement
- Ethical and Environmental Code of Conduct for Suppliers of Goods and Services
- Professional Code of Conduct for Employees
- Related-Party Transaction Policy
- Risk Management Policies
- Remuneration Policy for Board Directors, Committee Members & Executive Management

*Links and references*

**SAB ESG report 2023**

**URL:**

<https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf>

1. ESG Risks Identified by SAB - refer to page 66
2. ESG Risk Environment - refer to page 74
3. ESG Risks manamgnt - refer to page77

**SAB ESG Website - Statements and policies**

**URL:**

<https://www.sab.com/esg/index.html>



- Selection Policy for Board and Board Committee Members
- Whistleblowing Policy
- Find more detailed information in our ESG website and report (ESG at SAB)

### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes  In progress  No

## Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

### 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes  Partially  No

If applicable, please include the link or description of the assurance statement.

#### Response

In the 2023 ESG Report, SAB has received limited assurance on 6 metrics:

- 1) Greenhouse Gas Emissions (Scope 1, Scope 2, Scope 3 – Categories 1,2,3, 6)
- 2) Total Sustainable Finance
- 3) Energy Consumption
- 4) Gender Diversity for Total Full-Time Employees and for the Board
- 5) Training and Career Development
- 6) Compliance with Instructions of the Regulator

#### Links and references

#### 2023 Limited Assurance Report

#### URL:

<https://www.sab.com/esg/2023%20Limited%20Assurance%20Report%20-%20English.pdf>

### 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other: ....

#### Response

To stay in tune with global standards and ensure that our stakeholders receive comprehensive information about our sustainability practices, we have aligned more closely with international frameworks on sustainability- and climate-related disclosures. Our 2023 ESG Report has been inspired by the following international and national commitments such as the UN Global Compact, UN Sustainable Development Goals, UN Principles for Responsible Banking, Saudi Vision 2030, Saudi Green Initiative, and the Saudi Arabia Nationally Determined Contribution. SAB is also aligning its reporting to internationally accepted reporting frameworks such as the Taskforce on Climate-related Financial Disclosures, IFRS S1 and S2, and SASB.

Mapping of framework requirements within the 2023 ESG Report is available in the Appendix of the report.

#### Links and references

#### SAB ESG report 2023

#### URL:

<https://www.sab.com/esg/2023%20SAB%20ESG%20Report%20-%20English.pdf>

1. International Frameworks – refer to page 6
2. National Commitments – refer to page 6
3. Standards and Frameworks – refer to page 7

### 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>13</sup>, target setting<sup>14</sup> and governance structure for implementing the PRB)? Please describe briefly.

#### Response

In 2023, SAB achieved notable milestones, yet our aspirations for the upcoming year are even more ambitious. Some of the key initiatives for this coming reporting period include the following:

- **Sustainable Finance & Investments:**

Building on our public commitment, SAB is dedicated to deploying SAR 34 bln of sustainable financing and investments by 2025. We have reached SAR 12.6 bln as at year end 2023 and are steadfast in advancing this success throughout 2024.

- **Assessing financed emissions:**

Recognising the significant climate impact stemming from financing, we are actively engaged in reviewing emissions in selected hard-to-abate sectors. Our commitment involves assessing forward-looking sector scenarios to identify and pursue appropriate decarbonisation pathways.

#### Links and references

#### SAB Annual report 2023

#### URL:

<https://www.sab.com/content/dam/sabpws/files/reports-documents/en/category-reports/2023/financial-statements/SAB%20Annual%20Report%202023%20English.pdf.coredownload.inline.pdf>

- Our outlook for 2024 - refer to page 73

<sup>13</sup> For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

<sup>14</sup> For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

- **Improve disclosures and transparency:**

In our ongoing pursuit of transparency, we are diligently working on the third iteration of our ESG report. Simultaneously, our ESG website is undergoing updates to enhance market transparency and align our disclosures with internationally accepted standards.

- **Drive industry-level engagement:**

Under the patronage of SAMA, SAB continues to drive the efforts for the ESG Saudi Bank's Advisory Committee (EBAC) with a focus on environmental risks, disclosures, taxonomy and solutions. Additionally, SAB continues to participate as a member of the Corporate Sustainability Policy Development (CSPD) Working Group to help design and implement sustainability policies for Saudi Arabia.

## 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- |  |  |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance                               | <input type="checkbox"/> Customer engagement             |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank                           | <input type="checkbox"/> Stakeholder engagement          |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability    |
| <input type="checkbox"/> Conducting an impact analysis   | <input checked="" type="checkbox"/> Data quality         |
| <input type="checkbox"/> Assessing negative environmental and social impacts                   | <input type="checkbox"/> Access to resources             |
| <input checked="" type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting                       |
| <input type="checkbox"/> Setting targets   | <input type="checkbox"/> Assurance                       |
| <input type="checkbox"/> Other: ...  | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these: